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FM AMEMBASSY SUVA
TO RUEHC/SECSTATE WASHDC 3871
INFO RUEHBY/AMEMBASSY CANBERRA 1620
RUEHPB/AMEMBASSY PORT MORESBY 1199
RUEHGP/AMEMBASSY SINGAPORE 0043
RUEHWL/AMEMBASSY WELLINGTON 1391
RHHJJAA/JICPAC HONOLULU HI
RULSJGI/COGARD INTELCOORDCEN WASHDC
RUEAHLA/HOMELAND SECURITY CENTER
RUWTPGA/12AF BERGSTROM AFB
RUEAIIA/CIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/SECDEF WASHDC
RHMFISS/CDR USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 02 SUVA 000169

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SUBJECT: KIRIBATI NEW FLAG OF CONVENIENCE SHIP REGISTRY;
FOLLOWING TUVALU EXAMPLE

REF: 06 SUVA 319

Classified By: Amb. Larry Dinger, Reasons 1.5 (b) and (d).

Summary

11. (C) Ship owners looking for a flag of convenience can now hoist the colors of the tiny Pacific island nation of Kiribati, which amended its maritime shipping act in June 2006 to allow creation of a foreign ship registry. Singapore-based Sovereign Ventures Limited is the agent, as it is for Tuvalu and, reportedly a host of other nations. Sovereign is also involved in oil and gas exploration in North Korea. Kiribati officials first mentioned the new ship-registration law to us last summer in the context of news accounts reporting a collision earlier in the year between U.S. and Kiribati-flagged ships in the Persian Gulf. Kiribati was certain none of its ships could be in the Gulf because the previous law allowed very limited registration. At the time we noted how false-flagging and other concerns would surely increase with an off-shore registry. When embassy Poloff recently visited Kiribati, the Solicitor General acknowledged awareness of international concerns, but he claimed a need to generate foreign exchange had outweighed his and others' opposition. End summary.

Joining the crowd

12. (C) The Kiribati parliament amended the country's 1983 "Merchant Shipping Act" in June 2006 to allow creation of an open registry of foreign vessels. Under the prior law, only Kiribati citizens or domestic companies could register vessels in Kiribati, and according to government officials all Kiribati-flagged vessels previously operated only within Kiribati waters or, at most, sailed between Kiribati and Pacific neighbors such as Fiji. The creation of the new registry was driven solely by the desire to tap a new source of foreign cash, according to Kiribati Solicitor General David Lambourne. Currently, three other Pacific Island nations have open registries: Tuvalu, Vanuatu and the Cook Islands. Tuvalu claims to have earned more than 300,000 dollars Australian (USD 235,000) in 2006 from its ship

registry, run by Sovereign Ventures of Singapore. Worldwide, more than fifty countries are said to operate open registries.

13. (C) In August 2006, prior to the actual creation of its open registry, the Government of Kiribati asked the USG for information about an apparent case of false flagging. Following a collision with the USS McCampbell in the Persian Gulf in March 2006, a vessel named the Rokya I claimed to be registered in Kiribati. According to Lambourne, there was no such vessel registered in Kiribati, nor was it possible, in his view, that any vessel registered in Kiribati at that time, under the 1983 Merchant Shipping Act, could be in the Persian Gulf. The Kiribati government expressed its grave concern. In that context, Kiribati officials informed Embassy Suva of the new open-registration law. We sought guidance from Washington and then conveyed USG views about the difficulties open-registration could create. During a recent visit to Kiribati, PolOff supplemented the conversation, relaying to Lambourne and the Foreign Ministry advice received from the U.S. Navy on how Kiribati could avoid accusations of false flagging, only to be informed that Kiribati had gone ahead and implemented the off-shore registry.

In Questionable Company

14. (C) Lambourne said his government has handed over operation of the new registry to the same Singapore company, Sovereign Ventures, that Tuvalu uses. An Internet search of Sovereign Ventures shows the company has close and long-standing ties to North Korea. According to Sovereign's www.maritimechain.com website, the company also manages

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registries for Tuvalu, Kiribati, Mongolia, Panama, Belize, Dominica, Honduras and "many more worldwide." Sovereign is part of the Korasia group of companies, which administered the Cambodia shipping register until an incident in 2002 in which the French Navy seized a Cambodian-flagged vessel smuggling cocaine.

15. (C) Captain John Hogan, head of the Suva-based Regional Maritime Program of the Secretariat of the Pacific Community, said the SPC tried to warn the Kiribati government away from the deal with Sovereign Ventures, whose owners he described as "pretty cunning." Hogan said Lambourne and others had also tried to block the deal, but the Kiribati Transportation Minister pushed it through. Hogan accused the minister of having accepted around the world airline tickets and other gratuities from Sovereign during negotiations. Hogan said similar inducements were made to Tuvalu. The Tuvalu Transport Minister recently returned from an all-expense-paid visit to Singapore, funded by Sovereign, and announced that the company has agreed to fund a Tuvaluan registrar and a clerk assistant at the Sovereign office in Singapore as well as Tuvalu's attendance at the biannual meetings of the International Maritime Organization. (Note: The clerk is reportedly a former politician's niece.)

Comment

16. (C) Kiribati and Tuvalu have sidled into the clutches of a company and an industry that appear unlikely to benefit the Pacific region or the world. The two countries' addition to the roll of those proffering flags of convenience, including potentially to terrorists, will not be a plus in U.S. relations. The Embassy will keep the subject on its bilateral agendas. It may be useful for the U.S. Coast Guard and other U.S. law enforcement and military authorities weigh in with their Kiribati and Tuvalu counterparts as well whenever the opportunity arises. The April visit of a Coast Guard cutter to the Kiribati capital Tarawa could be an ideal moment to reiterate USG concerns. End comment.
DINGER